

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** February 16, 2001

**SUBJECT:** Financial Impact Statement: “Health-Care and Community  
Residence Facility, Hospice, and Home Care Licensure Act of  
1983 Amendment Act of 2001”

**REFERENCE:** Draft Legislation - Bill Number Not Available ([B 14-392](#))

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**Conclusion**

Funds are not sufficient in the District’s FY 2001 through FY 2004 budget and financial plan to conduct the activities required by the proposed legislation. **Additional unbudgeted funds of approximately \$8.5 million will be required to implement the provisions of this legislation for FY 2001 through FY 2004.**

Anti-deficiency laws, 31-USCA § 1341 (2000), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the Department of Human Services (DHS) determine that funding is available to absorb the \$1.3 million in additional costs in FY 2001, then the net fiscal impact would be zero for this year. For subsequent years, the additional expenditures need to be included as budgeted expenditures.

**Background**

The proposed legislation would amend the Health-Care and Community Residence Facility, Hospice, and Home Licensure Act of 1983 to require that persons employed by group homes to provide direct care be paid the prevailing wage rate as determined by the United States Department of Labor, or any successor agency, plus \$2.00. The prevailing

wage rate, as of January 2001, is on average \$7.53 per hour, according to the Registrar of Wage Determination from the Service Contract Act.

### **Financial Plan Impact**

The Mental Retardation and Developmental Disabilities Program (MRDDP) within DHS has contracts with 13 group homes to provide residential services to non-Medicaid eligible clients. The proposed legislation will affect approximately 233 full time and 87 part time nursing assistant positions.

Assuming that the District will maintain the number of positions that are currently established in MRDDP, it is estimated that the proposed legislation will result in additional expenditures of \$8.5 million for FY 2001 through FY 2004.

Estimated total costs for FY 2001 through FY 2004 are outlined below. The FY 2002 through FY 2004 estimates include a 3.3 percent inflationary rate beginning in FY 2002. The fiscal impact for FY 2001 assumes nine months of costs.

The table below shows the fiscal impact of the legislation assuming that the District maintains the tiered wage system and gives each person a \$3.28 per hour increase, the difference between the proposed hourly rate and the hourly rate of the lowest paid person.

<b>Total Estimated Net Impact to the Financial Plan</b>					
(\$ in millions)					
<b>Item</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>TOTAL</b>
Salary	\$1.4	\$1.9	\$2.0	\$2.1	<b>\$7.4</b>
Fringe Benefits @ 17.89 Percent	0.2	0.3	0.3	0.3	<b>1.1</b>
<b>Net Annual Impact</b>	\$1.6	\$2.2	\$2.3	\$2.4	<b>\$8.5</b>

If the District simply brings all nursing assistants' hourly wages into parity by setting each worker's salary at \$9.53 per hour, which is the prevailing wage rate plus \$2, the estimated total net impact to the financial plan would be approximately \$6.7 million for FY 2001 through FY 2004.